

Message Text

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ACTION EB-11

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6905

INFO AMEMBASSY BRUSSELS

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E.O. 11652/ N/A

TAGS: ETRN

SUBJECT: CIVAIR: MERCURES PROBLEMS

REF: PARIS 4046

BRUSSELS FOR FAA

1. SPOTLIGHT FOCUSED ON CONCORDE DECISIONS AWAITED FROM GOFS CURRENT REVIEW OF AERONAUTICAL PROGRAMS (REFTEL) HAS OBSCURED BUT ONLY PARTIALLY FOR FRENCH PRESS THE PROBELMS OF THE OTHER VERY SICK CHILD OF FRENCH AIRCRAFT INDUSTRY -- THE SHORT-RANGE TRANSPORT MERCURE BUILT BY DASSAULT. THIS AIRCRAFT, PERHAPS EVEN MORE SO THAN CONCORDE, IS CLASSIC EXAMPLE OF COSTLY PRODUCT FOR WHICH THERE IS NO DEMAND. (BOEING HAS GIVEN US INTERESTING FOOTNOTE TO SABENA NEGOTIATION WHICH ILLUSTRATES BIND IN WHICH FRENCH PLACED THEMSELVES BY SACRIFICING RANGE FOR CAPACITY WITH MERCURE. FRENCH CONSTRUCTOR APPARENTLY COULD NOT GUARANTEE BRUSSELS-ROME NON-STOP WITH SABENA-CONFIGURATION MERCURE, WHEREAS BOEING WAS ABLE GUARANTEE BRUSSELS-ATHENS NON-STOP.)

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2. MERCURE ASSEMBLY LINE HAS APPARENTLY ALREADY

BEEN INTERRUPTED TEMPORARILY AFTER TENTH AND LAST AIRCRAFT FOR SOLE AND RELUCTANT BUYER AIR INTER. WHILE SLOWDOWN AND POSSIBLE TERMINATION OF MERCURE PROGRAM WOULD HAVE OBVIOUS ADVERSE EFFECT ON DASSAULT FINANCES AND COMPANYS WORK FORCE, THIS WOULD BE CUSHIONED BY DASSAULTS MILITARY PROGRAM AS WELL AS ITS FALCON BUSINESS JET PRODUCTION, GOF HAS HELPED FINANCE MERCURE PROGRAM BY ADVANCES REIMBURSABLE BEGINNING WITH PRODUCTION OF FORTIETH AIRCRAFT, AND PROBLEM NOW, AS WITH CONCORDE, IS ALSO WHETHER TO THROW GOOD MONEY AFTER BAD.

3. DASSAULT INABILITY DELIVER FIRST FULLY CERTIFIED MERCURES ON TIME TO AIR INTER HAD ALREADY UPSET CARRIER WHICH WAS OBLIGED TO MAKE OTHER ARRANGEMENTS FOR NEEDED CAPACITY DURING 1974 SUMMER SEASON AND AT ONE TIME CARRIER ALSO ENVISAGED EVENTUAL LEGAL ACTION AGAINST DASSAULT. (CAT II CERTIFICATION OF MERCURE WAS GRANTED FEB. 12, BUT CAT III CERTIFICATION FOR FULL INSTRUMENT LANDING NEEDED FOR UNRESTRICTED AIR INTER OPERATIONS NOT EXPECTED BEFORE SEPT. 1974.) AIR INTER HAS NOW ANNOUNCED THAT LIMITED PRODUCTION OF MERCURE AND RESULTANT INCREASE IN UNIT COST OF SPARE PARTS MEANS THAT ESTIMATED MAINTENANCE COSTS FOR AIRCRAFT PER HOUR OF FLYING TIME HAVE ESCALATED FROM 1,650 HRS. INITIALLY TO 3,000 FRs. AIR INTER IS INSISTING THAT EITHER DASSAULT OR GOF ABSORB THE DIFFERENCE.

4. LE FIGARO HAS MENTIONED POSSIBILITY THAT GOF MIGHT TRY SOLVING, AT LEAST TEMPORARILY, ALL THESE PROBLEMS--CONTINUE PRODUCTION LINE, BRING DOWN UNIT COST OF SPARE PARTS THROUGH EXPANDED PRODUCTION, AND HOPE FOR MARKET BREAKTHROUGH BRINGING IN FURTHER ORDERS--BY RENEWING PRESSURE ON AIR FRANCE TO BUY MERCURES. HOWEVER, AIR FRANCE IS KNOWN TO REMAIN VIOLENTLY OPPOSED. AIR FRANCE, HOWEVER, IS IN A BIT OF A LIMITED OFFICIAL USE

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DILEMMA, FOR IT WOULD PREFER TO PURCHASE BOEING 737'S TO REPLACE ITS OLD AND INEFFICIENT CARAVELLES, BUT AN APPROACH TO THE GOF FOR AUTHORIZATION TO BUY 737'S FOR EUROPEAN ROUTES WOULD MAKE IT MORE DIFFICULT TO RESIST GOF PRESSURE TO BUY MERCURES. BOEING IS THEREFORE A VERY INTERESTED ONLOOKER AS THE FATE OF THE MERCURE PROGRAMS IS BEING DECIDED. IRWIN

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